

**Internal Revenue Service**  
**P.O. Box 2508**  
**Cincinnati, OH 45201**

**Department of the Treasury**

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**Employer Identification Number:**

**Contact Person - ID**

**Contact Telephone Number:**

UIL 4945.04-04

**LEGEND**

W= Applicant  
X= Name of Scholarship Program  
Y= Parish  
Z= State

Dear

We have considered the request of the applicant, named W, for advance approval of a grant-making program under section 4945 (g)(1) of the Internal Revenue Code, dated July 29, 2009.

Our records indicate that W was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

The letter request indicates that W will operate a grant-making program named X, which will be awarding annual scholarships of varying amounts to eligible primary or secondary school, undergraduate, or graduate students. The scholarship grants will be provided for payment of tuition, fees, books, laboratory supplies, and housing costs of the individual student. W will give priority to applicants from Y and adjacent Parishes in Z. However, the scholarship selection committee may consider applicants from other geographic areas if W's trustees have, in a particular year, allocated more funds to scholarship than can be prudently awarded to suitable applicants from the priority areas. The scholarship program requires that the grantee be enrolled at an accredited educational institution.

The candidates will be selected by a selection committee composed of the three Trustees of W and no more than two community leaders. The Trustees shall appoint the additional members of the selection committee from time to time. In making its selection of a recipient of a scholarship grant, the Selection Committee shall take into account each applicant's prior academic performance, performance on tests designed to measure ability and aptitude, recommendations from instructors, conclusions from personal interviews, and references as to the individual's moral character, ability, and motivation. The

selection committee shall not discriminate in the selection process on the basis of sex, race, religion, or national origin. The persons who select recipients of scholarships will not derive a private benefit, directly or indirectly, if certain potential grantees are selected over others. Awards will not be made to any person related to the donors, any member of the Selection Committee, the manager and employees of W, or any other disqualified person.

Applicants are required to submit an application. Additionally, the applicant must submit an essay discussing their personal goals, extra-curricular activities, discipline, grade expectations, and why they should be chosen to receive a scholarship. The criteria to be used by the Selection Committee are described as follows:

- a. Applicant must possess good character, ambitious purpose, positive qualities, and should be capable of taking advantage of educational opportunities to enhance personal excellence.
- b. The selection committee will not entertain applications from employees or relatives of any selection committee member. For this purpose relatives shall have a definition consistent with the disqualified person's regulation pertaining to taxable expenditures.
- c. The scholarship grants will normally cover tuition, books, fees, and supplemental living expenses. However, in some cases the Trustees may limit the grant to tuition, books, and fees.
- d. Applicant must provide a copy of their Federal income tax return at least annually. Dependent student must provide a copy of their parents' Federal income tax return at least annually.

In order to renew the scholarship, grantees must complete and submit a re-application form attached to a copy of their final grade report from the prior semester and a copy of the most recent Federal income tax return (a copy of the parent's return is required in the case of a minor).

W shall require a report of the grantee's courses taken (if any) and grades received (if any) in each academic period. Such a report must be verified by the educational institution attended by the grantee. Where study at an institution does not involve the taking of courses but the preparation of research papers or projects, W shall require a brief report from the institution of the progress of the paper or project at least once a year. Such a report must be approved by the faculty member supervising the grantee or by another appropriate official of the institution. Upon completion of a grantee's study at an educational institution, W shall obtain a final report. Trustees have the responsibility to follow the progress of the individual grant, that is, to review each report submitted by the funded educational institution or person, to make a determination as to whether the grant purposes are being or have been fulfilled, and to look into any questions requiring further scrutiny or investigation.

Where a report to W or other information (including failure to submit reports after a reasonable time has elapsed from their due date) indicate that all or any part of grant funds are not being used for the purposes of such grant, the Trustees shall initiate an investigation. While conducting the investigation,

the Trustees shall withhold further payments to the extent possible until it has determined that no part of the grant has been used for improper purposes, and until any delinquent reports have been submitted. If the Trustees determine that any part of the grant has been used for improper purposes, the Trustees shall take all reasonable and appropriate steps to recover diverted grant funds or to insure the restoration of diverted fund and the dedication of other grant funds held by the grantee to the purposes being financed by the grant. These steps will include legal action unless such action would in all probability not result in the satisfaction of execution of a judgment. If the Trustees determine that any part of the grant has been used for improper purposes, and the grantee has not previously diverted grant funds to any use not in furtherance of a purpose specified in the grant, the Trustees shall withhold further payments on the particular grant until (1) it has received the grantee's assurances that future diversions will not occur, (2) any delinquent reports have been submitted, and (3) it has required the grantee to take extraordinary precaution to prevent future diversions from occurring. If the Trustees determine that any part of the grant has been used for improper purposes and the grantee has previously diverted Foundation grant funds, the Trustees shall withhold further payment until the three conditions of the preceding sentence are met and the diverted funds are in fact recovered or restored.

W will retain records that pertain to all grants to individuals for a period of ten years.

W will send a letter to each recipient setting forth the terms and conditions of each scholarship grant to an individual. The recipient must communicate an acceptance by letter to W. Terms and conditions include: specific purpose of the grant, its duration, the total amount of the grant, and requirements for reports, including due dates for such reports. Grantees must pursue the educational objectives for which the scholarship was granted. A renewal of the grant for any succeeding period is contingent upon evidence of adequate performance at the time of review.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);

- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that, effective July , 20 , your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures as of July , 20 , are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein, effective July , 20 , constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements